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Diana T Fritz 03/15/2007 03:06:07 PM From DB/Inbox: Search Results

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SIPDIS  
TELEGRAM

March 16, 2004

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 735 - ROUTINE)  
TAGS: EPET, PGOV, BEXP, ENRG, ECON, EINV  
Captions: None  
Subject: UAE: SUPREME PETROLEUM COUNCIL DELAYS DECISION ON UPPER  
ZAKUM  
Ref: None

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C O N F I D E N T I A L ABU DHABI 00735

SIPDIS  
CXABU:  
ACTION: ECON  
INFO: P/M AMB DCM POL  
Laser1:  
INFO: FCS

DISSEMINATION: ECON  
CHARGE: PROG

APPROVED: AMB: MWAHABA  
DRAFTED: ECON:CCRUMPLER  
CLEARED: DCM: RALBRIGHT

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RR RUEHC RUEHHH RUEHDE RUCPDOC RHEBAAA  
DE RUEHAD #0735/01 0760656  
ZNY CCCCC ZZH  
R 160656Z MAR 04  
FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC 3597  
INFO RUEHHH/OPEC COLLECTIVE  
RUEHDE/AMCONSUL DUBAI 3853  
RUCPDOC/USDOC WASHDC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 000735

SIPDIS

NOFORN

DEPT FOR NEA/RA, NEA/ARP, INR/EC, EB/IEP, EB/CBA  
USDOE FOR INT'L AFFAIRS - COBURN, ALSO CALIENDO  
USDOE FOR OFFICE OF THE SECRETARY - RHONDA HUDOME  
USDOC FOR 1000/OC/  
USDOC FOR 4520/ITA/IEP/ONE  
USDOC FOR 4530/ITA/MAC/ONE/DGUGLIELMI  
4500/ITA/MAC/DAS/WILLIAMSON  
3131/CS/OIO/ANESA

E.O. 12958: DECL 03/16/2014

TAGS: [EPET](#) [PGOV](#) [BEXP](#) [ENRG](#) [ECON](#) [EINV](#) [TC](#)

SUBJECT: UAE: SUPREME PETROLEUM COUNCIL DELAYS DECISION ON UPPER ZAKUM

REFS: A) 04 ABU DHABI 195  
B) 02 ABU DHABI 6976 AND PREVIOUS

¶1. (U) Classified by Ambassador Marcelle M. Wahba, for reasons 1.5 (B) and (D).

¶2. (C/NF) Summary and comment: Almost two years after international oil companies submitted bids, the Abu Dhabi National Oil Company (ADNOC) on January 27 presented its recommendation for the award of a 28 percent stake of the Zakum Development Company (ZADCO) to Abu Dhabi's Supreme Petroleum Council (SPC). The SPC did not make a final decision, and instead short-listed three companies (ExxonMobil, BP and Shell) and directed ADNOC to seek "further clarification" of these select bids. Although this latest turn of events was unexpected, we still believe that U.S. oil giant ExxonMobil is a favorite among most SPC members. The delay and period of renegotiation probably gives Shaykh Khalifa time to build consensus for ExxonMobil within the SPC, and -- contrary to the view of many oil execs here -- is not simply an effort by the SPC to seek additional financial concessions from the competitors. End summary and comment.

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Three Companies Short-Listed  
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¶3. (C/NF) ExxonMobil confirmed to Econoff on February 05 that it was informed in writing of its selection to the final round of bidding for an equity stake in the Zakum Development Company (ZADCO). ZADCO is one of Abu Dhabi's two offshore operating companies, and also manages the Upper Zakum oil concession -- one of the world's largest offshore reservoirs. ADNOC also sent a letter to U.S. company ChevronTexaco confirming that Chevron is out of the race. We since have learned that the SPC also short-listed Royal Dutch Shell and British Petroleum (BP). It is particularly interesting that the SPC selected BP's individual bid over its joint bid with TotalFinaElf -- which was considered by industry insiders to be the stronger of the two bids.

¶4. (C/NF) ADNOC officials have suggested for many months that ExxonMobil's technical package is the most impressive -- combining first-class managerial expertise with proprietary technology and a commitment to train and employ UAE nationals (a priority for the UAE Government). A senior shaykh privately told the Ambassador that Exxon's bid is "unbeatable" in this regard. ExxonMobil's long history of working with ADNOC and collaborating with its other (foreign) partners no doubt also bolsters the company's package.

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The SPC Process...As We Understand It  
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¶5. (C/NF) The Ambassador learned that ADNOC CEO Yousef bin Omeir bin Yousef met with CP Khalifa and HbZ on January 26 to discuss the Zakum bid. We believe that the purpose of this meeting was to both inform CP Khalifa of ADNOC's recommendation, and to prepare Khalifa for the counter-arguments he was likely to hear at the SPC meeting scheduled for the next day. Although CP Khalifa will take the final decision on ZADCO, he must consult first with his most trusted advisers and ruling family. We suspect that Khalifa currently is building consensus among SPC members for ExxonMobil.

¶6. (C) Post has observed the emergence of clear alliances within the SPC during the last several weeks ago in favor of ExxonMobil. CP Khalifa's advisers probably have consulted with ADNOC CEO Yousef bin Omeir on next steps. Khalifa trusts bin Omeir to provide impartial and thoughtful advice, based on the merits of each proposal. In recent meetings with the Ambassador, both MbZ and Presidential Adviser Mohammed Harbroush Al-Suweidi intimated that they favored ExxonMobil's bid. Chamberlain of the President's Court Shaykh Suroor bin Mohammed, however, is a known advocate for BP, and may have voiced his opposition regarding the ExxonMobil bid. Also in a recent meeting, the Ruler's Representative in the Eastern Region Shaykh Tahnoon bin Mohammed seemed uninformed about Upper Zakum; this tracks with our impression that Shaykhs Tahnoon and Sultan bin Zayed play marginal roles in SPC decision-making.

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Next Steps  
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¶7. (C) Throughout the bidding process, the Ambassador has made the case to the UAE leadership that American companies manage a very low

percentage of Abu Dhabi's lucrative upstream oil sector relative to European and Japanese companies. European companies (namely BP, TotalFinaElf, and Shell) account for 69 percent of total international company participation in the oil sector, Japanese companies account for 18 percent, and U.S. firms represent a mere 13 percent of foreign participation. ExxonMobil's foreign competitors have sought to augment their presence in the UAE through intense lobbying of SPC and ADNOC officials in recent months. During a visit to the UAE in February, French Foreign Minister Dominique de Villepin reportedly lobbied on behalf of French oil firm TotalFinaElf with Crown Prince Khalifa bin Zayid, UAE Armed Forces Chief of Staff and Abu Dhabi Deputy Crown Prince Mohammed bin Zayid (MbZ), and UAE Deputy Prime Minister Hamdan bin Zayid (HbZ).

18. (C) ExxonMobil has enlisted the Embassy's help to move this process forward, although ADNOC has not yet contacted ExxonMobil with requirements or requests for further information regarding its bid. We will continue to advocate on Exxon's behalf with SPC members. Visits to the UAE of U.S.-based senior ExxonMobil executives will compliment this effort.

Wahba